

Part B Insider (Multispecialty) Coding Alert

LEGISLATION: New House Bill Would Repeal Physician Update Formula

Republicans, Democrats agree upcoming cuts are unacceptable

Instead of seven lean years starting next year, you could receive guaranteed pay increases from Medicare, if one pending bill becomes law.

Rep. **Nancy Johnson** (R-CT), chair of the **House Ways and Means Health Subcommittee**, is drafting a bill that would repeal the Sustainable Growth Rate (SGR) formula which calls for cuts of nearly five percent over the next seven years. It also would require pay for performance (P4P) or "value-based purchasing."

Rep. Johnson's staff showed a draft of the bill to physician organizations and other advocates last week, and a final version may be released this week, says **Piper Nieters**, an attorney with **Powers Pyles Sutter & Verville** in Washington who saw the draft bill. The bill would set out positive updates for physician payments for the next few years, and then put in place a new formula for future updates based on actual physician cost data.

Physicians may welcome Johnson's version of P4P, which would give a greater role to specialty societies, says Nieters. Instead of appointing a central commission to come up with physician quality measures, the Johnson bill would ask each physician specialty group to submit recommendations for quality measures to an independent agency such as the **National Quality Forum** by March 1, 2006. The agency would then offer recommendations to the HHS Secretary.

Some physician groups did have a concern about this approach, notes Nieters. They claimed that the NQF already has a backlog in dealing with their quality recommendations. If the NQF or some other agency was unable to process their recommended quality measures quickly, then some physician specialties could find their quality measures left out of the final version, they worried.

CMS Can't Remove Drugs From SGR, McClellan Claims

Rep. Johnson and Ways and Means Chair Rep. **Bill Thomas** (R-CA) recently wrote to the **Centers for Medicare & Medicaid Services** asking the agency to remove Part B drugs retroactively from the SGR (See PBI, Vol. 6, no. 26). That move would reduce the pressure for steep cuts to physician spending, and make it more affordable for Congress to avert those cuts.

But the agency doesn't have the authority to remove drugs from the formula, CMS Administrator **Mark McClellan** testified in a July 21 hearing of the Health Subcommittee. Current law only allows CMS to verify or adjust the SGR formula twice, and CMS has already made those adjustments. Also, removing drugs from the formula wouldn't be enough to guarantee positive updates, McClellan warns.

Johnson started off the hearing by calling once again for the repeal of the SGR formula, "because it is not only unsustainable, it is irrelevant." She said there's no way to offer incentives to doctors to improve care when those doctors are already losing up to 5 percent of their reimbursement per year. She also pointed out that physicians may spend more up front to manage patients better, and save money on hospital care and other settings.

But ranking Democrat Rep. **Fortney "Pete" Stark** (D-CA) insisted that physician incomes keep going up and physician spending per patient will increase, even with cuts, because doctors keep increasing the volume and intensity of their services. He argued that P4P won't yield any savings for decades, if ever, and Congress needs a way to constrain Medicare physician spending in the near future.



Updates in physician payments should account for the cost of the new screening tests it has required, as well as national coverage determinations from Medicare, the **American Medical Association's** trustee **John Armstrong** testified. Armstrong also contended that Congress should pilot-test value-based purchasing before implementing it nationwide.

Value-based purchasing also should reward primary care physicians for their role in treating patients and should focus on managing chronic conditions instead of treating episodes of illness, argued **Anderson Hedberg**, president of the **American College of Physicians**.

Democrats on the committee insisted that any boost to physician payments shouldn't lead to increases in patients' Part B premiums. McClellan responded that it's important to avoid simply putting more money into the system without improving quality and reducing unnecessary care, such as duplicate tests and extra specialist visits.